

Message Text

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PAGE 01 BRUSSE 01245 201814Z
ACTION EB-08

INFO OCT-01 ARA-10 EUR-12 IO-13 ISO-00 AID-05 CEA-01
CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 SP-02
STR-06 TRSE-00 LAB-04 SIL-01 OMB-01 PRS-01 PA-01
USIA-06 SS-15 NSC-05 ITC-01 CTME-00 /103 W
-----084787 211021Z /23

R 201817Z JAN 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 4399
INFO ALL EC CAPITALS
USMISSION GENEVA
AMEMBASSY BRASILIA

C O N F I D E N T I A L BRUSSELS 01245

USEEC

E.O.11652:GDS
TAGS: ETRD, EEC
SUBJECT: EC STEEL PLANS: BRAZIL

1. BRAZILIAN AMBASSADOR CALLED ON AMBASSADOR JANUARY 20
TO DISCUSS US AND EC STEEL PROGRAMS. HE BEGAN BY
INDICATING HIS UNDERSTANDING THAT US TRIGGER PRICE
SYSTEM INCLUDED IMMEDIATE AUTOMATIC IMPOSITION OF DUTIES
ON SHIPMENTS BELOW TRIGGER PRICES AND WE SPENT A GOOD
DEAL OF TIME STRAIGHTENING HIM OUT. (IT IS APPARENT
SOUTO MAIOR SUFFERED FROM THE SAME MISUNDERSTANDING AS
MANY EUROPEAN OFFICIALS AND JOURNALISTS. WE ARE DOING
OUR BEST TO EXPLAIN THE SYSTEM HERE BUT WASHINGTON
AGENCIES SHOULD NO DOUBT CONSIDER WAYS TO CORRECT PUBLIC
IMPRESSION ABROAD ON THIS POINT.)

2. WITH RESPECT TO EC PLAN, SOUTO MAIOR SAID THAT HIS
GOVERNMENT HAS BEEN INVITED TO DISCUSS FUTURE SHIPMENTS
WITH THE EC COMMISSION. HE INDICATED THAT BRAZILIAN
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PAGE 02 BRUSSE 01245 201814Z

EXPORTS ARE LARGELY PIG IRON AND THAT FOR SOME TIME
(PRESUMABLY SINCE EC DROPPED ITS ANTI-DUMPING ACTION)
THESE HAVE BEEN COVERED BY AN INFORMAL AGREEMENT BETWEEN
BRAZILIAN PRODUCERS AND COMMUNITY IMPORTERS. HE ADDED
THAT BOTH PRICE AND QUANTITY HAVE ALREADY BEEN AGREED
IN THIS MANNER FOR ALL OF 1978. WHEN BRAZILIAN AMBASSADOR
ASKED HOW BRAZILIAN PIG IRON COULD CONTINUE TO ENTER EC

UNDER THE MINIMUM AND GUIDANCE PRICE SYSTEM AS REINFORCED BY THE EC COUNCIL, THE COMMISSION EVENTUALLY REPLIED THAT EC OFFICIALS WOULD TURN A BLIND EYE TO BRAZILIAN SALES AS LONG AS THEY DID NOT EXCEED THE AGREED 10 PERCENT DISCOUNT OFF POSTED EC PRICES AND STAYED WITHIN QUANTITATIVE LIMITS.

3. QUESTION THAT BRAZILIANS ARE TURNING OVER IN THEIR MINDS, ACCORDING TO SOUTO MAIOR, IS WHETHER TO SEEK CONTINUANCE OF INFORMAL ARRANGEMENT OR TO REGULARIZE IT THROUGH A GOVERNMENT-TO-GOVERNMENT AGREEMENT, AS EC NOW SUGGESTS IS POSSIBLE.

4. AMBASSADOR HINTON TOLD SOUTO MAIOR THAT ARRANGEMENTS SUCH AS THE ONES BRAZIL HAS HAD WITH THE EC ARE THE KIND OF THING USG OPPOSES AND HAS BEEN TRYING TO PREVENT INTER ALIA BECAUSE OF THEIR INSIDIOUS EFFECT ON COMPETITION. HE ADDED THAT US HAS NOW EXPRESSED PUBLIC CONCERN (IN THE STR PRESS RELEASE CONTAINED IN STATE 15081) THAT EC PHASE II AGREEMENTS MAY LEAD TO FURTHER CARTELIZATION OF THE WORLD STEEL MARKET. SOUTO MAIOR ACKNOWLEDGES DANGERS BUT ADDS EC POLICIES PRESENT BRAZIL WITH HARD CHOICES. HINTON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEEL, STEELS, MEETINGS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 20 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BRUSSE01245
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780032-0734
Format: TEL
From: BRUSSELS USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780142/aaaabizs.tel
Line Count: 83
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1728c7e1-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3743397
Secure: OPEN
Status: NATIVE
Subject: EC STEEL PLANS: BRAZIL
TAGS: ETRD, US, BR, BE, EEC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/1728c7e1-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014